BEFORE THE FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

In the Matter of)
High-Cost Universal Service Support) WC Docket No. 05-337
Federal-State Joint Board on Universal Service) CC Docket No. 96-45
Lifeline and Link Up) WC Docket No. 03-109
Universal Service Contribution Methodology) WC Docket No. 06-122
Implementation of the Local Competition Provisions in the Telecommunications Act of 1996) CC Docket No. 96-98)
Developing a Unified Intercarrier Compensation Regime) CC Docket No. 01-92
Intercarrier Compensation for ISP-Bound Traffic) CC Docket No. 99-68
IP-Enabled Services) WC Docket No. 04-36
Numbering Resource Optimization) CC Docket No. 99-200

COMMENTS OF THE OKLAHOMA RURAL TELEPHONE COALITION

Ron Comingdeer Ron Comingdeer & Associates 6011 N. Robinson Ave. Oklahoma City, Oklahoma 73118 (405) 848-5534 Fax (405) 843-5688

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SUMMARY

The Oklahoma Rural Telephone Coalition (ORTC)¹ would like to thank the Commissioners for the opportunity to offer comments to the three specific proposals attached to its Order on Remand and Report and Order and Further Notice of Proposed Rulemaking released November 5, 2008 (FNPRM) in the above referenced dockets. The Oklahoma Rural Telephone Coalition (ORTC) submits these comments on behalf of 22 of its member companies. The ORTC is an association of rural incumbent local exchange carriers (RLECs) which have been providing telecommunications services to primarily rural customers originally neglected by the Regional Bell Operating Companies and the former GTE. The ORTC Companies, either themselves or through affiliates of the ORTC Companies, operate in several states, providing an array of telecommunications and information services, including but not limited to telecommunications, internet service, video, wireless and broadband services.

The ORTC member companies understand and support reform of the intercarrier compensation and universal service regimes and agree that such reform should include the following concepts:

Revisions to the existing intercarrier compensation framework should be structured to
prevent future fraud and abuse and must recognize distinctions applicable to rural
incumbent local exchange carriers (RLECs) subject to rate-of-return regulation and
other carriers;

¹ The ORTC member companies are: Atlas Telephone Company, Beggs Telephone Company, Bixby Telephone Company, Canadian Valley Telephone Company, Carnegie Telephone Company, Central Oklahoma Telephone Company, Cherokee Telephone Company, Cross Telephone Company, Dobson Telephone Company, Hinton Telephone Company, KanOkla Telephone Association, McLoud Telephone Company, Medicine Park Telephone Company, Oklahoma Western Telephone Company, Oklahoma Telephone and Telegraph Company, Panhandle Telephone Cooperative, Pioneer Telephone Cooperative, Santa Rosa Telephone Cooperative, Inc., Shidler Telephone Company, South Central Telephone Company, Southwest Oklahoma Telephone Company, Valliant Telephone Company.

- 2. RLECs should (a) be able to establish cost-based intercarrier compensation rates that recognize the value other carriers or service providers receive when they utilize the RLECs networks to originate, transport and/or terminate traffic, (b) receive payment at jurisdictionally applicable intercarrier compensation rates from all carriers and service providers for their use of the RLECs' networks to provide their telecommunications or information services, and (c) receive adequate call signaling information and call detail records for all telecommunications and information services traffic delivered to the RLECs' networks sufficient for the RLECs to properly bill for the use of their respective networks. Adequate call signaling information and call detail information should not only include sufficient information to identify the financially responsible carrier but also sufficient information to properly jurisdicitionalize the traffic for proper billing.
- 3. To the extent that changes in the existing intercarrier compensation regime are adopted by the Commission, rural rate-of-return carriers should receive recovery of the displaced revenues from a sustainable mechanism that is available only to carriers that experience revenue losses as a result of such changes and fulfill their carrier of last resort obligations.
- 4. To the extent that changes in the existing interconnection rules are made, those rules must recognize the operational and legal realities which limit the practical ability of the RLECs to undertake financial responsibility for the transport of traffic beyond the limits of their networks. The ORTC member companies are access providers under Oklahoma law and are restricted from providing intercarrier interexchange toll services to their respective customers in accordance with Oklahoma Corporation

Commission Order 399040. Furthermore, any change that would require the ORTC member companies to transport traffic beyond their own networks creates a significant new financial burden to the ORTC member companies' end users for which the end user receives no benefit.

The ORTC is concerned about the growth of the universal service fund and its continued viability to ensure the objectives of the Telecommunications Act of 1996 (the "Act"). The funding for Universal Services has grown from \$955,000,000 in 1996 to an estimated amount in excess of \$7,000,000,000 in 2005.

The ORTC member companies support proposals that ensure that universal service support remains "specific, predictable, and sufficient" to ensure that end users in rural, insular and high cost areas continue to have access to universal service. To achieve those goals the ORTC urges the Commission to apply the following principles when reforming universal service funding.

- 1. Rural Consumers should have affordable telecommunications services, comparable in quality and price to urban areas. States are in a better position to determine the affordability of telecommunications services than is the FCC.
- 2. Funding should be sufficient to provide for critical infrastructure, including broadband, and necessary operating expenses in rural areas.
- 3. The universal service fund is a scarce national resource. Therefore, supporting multiple carriers is in the public interest only when benefits to the end users exceed cost.
- 4. The universal service fund should not be used to create uneconomic competition.
- 5. All carriers receiving support should be held to similar service obligations and regulatory standards.
- 6. Funding should come from the broadest base of providers and services.

- 7. Small rural carriers serving less than 100,000 customers do not have the scale or scope economies of larger carriers and reimbursements for universal service should be determined differently.
- 8. Continue to calculate small rural carriers universal service support on the individual carriers study area embedded cost.
- 9. Operations under common control within a single state should be treated as a single operation for high cost support.

The objective that all Americans in all regions of the Nation should have access to quality telecommunications at just, reasonable and affordable rates has been the corner stone of telecommunications policy for over 70 years. This industry is a highly capital intensive industry and as such stability of revenues is essential to ensure end users continue to have access to quality telecommunications and information services. The Act codified the FCC's historical commitment to promote universal service to ensure that all Americans have access to affordable, quality telecommunications services, unfortunately many regulators at both the federal and state level have focused primarily on "creating competition". In many instances, well meaning regulators have used universal service to promote uneconomic competition, at the expense of the rate payers. The ORTC believes now is the time to refocus our attention and make decisions that ensure the long term viability of the critical infrastructure networks of the rural service providers so that end users in rural, insular, and high cost areas may continue to enjoy services that are enjoyed by end users in urban areas, at reasonably comparable prices. The comments herewith submitted by the ORTC sets out principles that, we believe, should be followed for the benefit of rural end users.

Given the ORTC member companies and their end users' financial dependency on the two significant revenue streams of intercarrier compensation and universal service support, how changes are implemented will have significant impact on rural customers and the companies that serve them. It is obvious after a careful review of each of the three specific proposals and the Joint Statement of Commissioners' Copps, Adelstein, Tate, and McDowel released with the FNPRM that, although those Commissioners have not pre-judged any of the proposals, there appears, (1) to be a growing consensus to move interstate switched access rates and structure in parity with interstate switched access rates and structure over a reasonable period of time, (2) the need to not unnecessarily burdening end users directly by increasing SLCs, (3) eliminate the identical support rule, (4) to allow recovery of revenues lost as a result of intercarrier compensation reform, and (5) recognize the importance of broadband in future communications and allow for recovery of the cost of broadband deployment.

Due to the short time frame in which to provide comments the ORTC submits the following limited comments, however; it should not be taken that by the ORTC not addressing each issue presented in the FNPRM that the ORTC companies are in agreement with the issues not addressed in these comments.

The ORTC again would like to let it be known that its member companies appreciate this opportunity to provide comments to the FNPRM.² After reviewing Chairman Martin's proposals set forth in Appendices A and C in the FNPRM it is apparent that the large nation-wide carriers have had a significant influence in the proposals and receive substantial benefits while the nation's small rural rate-of-return carriers and their customers do not fare as well. The ORTC hereby submits their comments to the below identified issues limited only by the short time frame in which to provide comments.

I. The cap/freeze of USF support for rural rate of return carriers.

At paragraph 12 of Appendix C the proposal freezes the rural rate-of-return ILECs high-cost universal service support at 2010 levels which is based on 2008 amounts. It provides that in order for the rural rate-of-return company to continue to receive funding at that level the company must commit to offer broadband Internet services to all customers within its service area within five years of the effective date of the FCCs order and if the rural rate-of-return company does not make the commitment all of its universal service support will be given to another carrier. The ORTC member companies understand the need for a carrier to receive universal support that they must offer the supported services, however; what the ORTC member companies don't agree with is their obligation to invest additional monies to be able to offer broadband and incur recurring expenses by offering such services but is not allowed to recovery those costs. Unfunded mandates are irresponsible. The ORTC acknowledges that in paragraph 321 of Appendix C provision is made for supplemental ICLS for rural rate-of-return ILECs but are concerned that by capping recovery some rural rate-of-return ILECs will spend substantial

² See Order on Remand and Report and Order and Further Notice of Proposed Rulemaking, WC Docket No. 05-337, CC Docket No. 96-45, WC Docket No. 03-109, WC Docket No. 06-122, CC Docket No. 99-200, CC Docket No. 96-98, CC Docket No. 01-92, CC Docket No. 99-68, and WC Docket No. 04-36 (rel. November 5, 2008).

sums in reliance on recovery under the identified mechanisms only to be told that the cap has been reached and no recovery is forthcoming. This will put tremendous pressure on local rates and/or state universal service fund programs. The FCC should not create obligations without making adequate funding available. The ORTC companies support the concept that once broadband service is mandated and included in the definition of services supported by universal service funds, then the company's costs and revenues associated with broadband be included in the computation of the company's future earnings levels and that universal service funding would be provided to the extent necessary to recover costs and to earn a return of 11.25% on its This obviously contemplates that the companies costs would continue to be investment. scrutinized to ensure recoverable costs are appropriate. Rural rate-of-return ILECs should not be required, at the threat of losing funding for investments already made to serve its customers, to commit resources without a reasonable expectation of earning a return on their investment. Likewise the American people, the FCC and the Congress are entitled to know that federal universal service funds are being used only for the supported services, including broadband. Rules should be implemented that insure accountability and protecting the universal service fund from company's receiving universal service funding from earning exorbitant profits.

II. The requirement for the deployment of broadband (paragraph 27 of Appendix C).

Beginning at paragraph 22 of Appendix C, there is a requirement that continued receipt of universal service funds is conditioned on the company's commitment to deploy broadband. The ORTC does not dispute that the American public is growing more and more dependent on the use of broadband, but for the FCC to make a requirement that the company must expend additional funds in order to continue receiving recovery of dollars already spent is not fair or

reasonable and contrary to law. The ORTC member companies in good faith expended substantial sums to provide the services supported by universal service funds and to strip those companies their ability to recover dollars already spent is nothing less than strong arm tactics designed to intimidate small companies to make expenditures with little hope of recovery in order to continue to receive funding for prudent expenditures already made. The ORTC member companies are not opposed to including broadband as one of the services supported by universal service but there must be provision made for the recovery of the expenditures made to deploy and operate a broadband system. We recognize the "limited automatic exception for high-cost loops" allowed in paragraph 27 of Appendix C, however; limited the use of satellite to no more than two percent of the company's total loops within a study area could create situations where a company must discriminate among its customers. The ORTC believes the better approach would be to not limit the use of satellite to no more than 2% but to allow the rural rateof-return company to utilize the most prudent technology available to provide broadband and the opportunity to recover its actual cost to provision quality broadband. There may be instances where a rural rate-of-return company may need to use satellite to serve more than 2% of its customers. We believe this approach would not violate the FCC technology neutral policy.

III. The elimination of the identical support rule for CETCs

Beginning at paragraph of 19 of Appendix B and also in paragraphs 17 and 18 of Appendix C provisions are made to eliminate funding for CETCs except amounts that maybe received reverse auctions. The ORTC member companies agree that the growth of the federal universal service programs have grown exponentially primarily because of the identical support rule for CETC. As the FCC found in its Order released May 1, 2008 in WC Docket No. 05-337 and CC Docket No. 96-45,

...the rapid growth in high-cost support places the federal universal service fund in dire jeopardy. In 2007, the universal service fund provided approximately \$4.3 billion per year in high-cost support.³ In contrast, in 2001, high-cost universal service support totaled approximately \$2.6 billion.⁴ In recent years, this growth has been due to increased support provided to competitive ETCs, which receive high-cost support based on the per-line support that the incumbent LECs receive, rather than on the competitive ETCs' own costs. While support to incumbent LECs has been flat since 2003,⁵ competitive ETC support, in the seven years from 2001 through 2007, has grown from under \$17 million to \$1.18 billion – an average annual growth rate of over 100 percent.⁶ We find that the continued growth of the fund at this rate is not sustainable and would require excessive (and ever growing) contributions from consumers to pay for this fund growth.⁷

We conclude that immediate action must be taken to stem the dramatic growth in high-cost support. Therefore, as recommended by the Joint Board, we immediately impose an

⁵ Incumbent LECs received \$3,136 billion in high-cost support in 2003; \$3,153 billion in 2004;

declined slightly to 11.3 percent in the second quarter of 2008. *Proposed Second Quarter 2008 Universal Service Contribution Factor*, CC Docket No. 96-45, Public Notice, 23 FCC Rcd 4087

(Off. of Man. Dir. 2008).

³ Universal Service Administrative Company, 2007 Annual Report 43 (2007), available at http://www.usac.org/_res/documents/about/pdf/usac-annual-report-2007.pdf (USAC 2007 Annual Report).

⁴ See Universal Service Monitoring Report, CC Docket No. 98-202, Prepared by the Federal and State Staff for the Federal-State Joint Board on Universal Service in CC Docket No. 96-45, Table 3.2 (2007) (Universal Service Monitoring Report).

^{\$3.169} billion in 2005; \$3.116 billion in 2006; and \$3.108 billion in 2007. Universal Service Monitoring Report, Table 3.2 (for 2003, 2004, 2005, and 2006 data); USAC 2007 Annual Report at 41 (for 2007 data). In 2001, much of the growth in high-cost support was attributable to removing implicit subsidies from access charges and the inclusion of these amounts in explicit universal service mechanisms adopted in the CALLS Order and the MAG Plan Order. See Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers; Low-Volume Long-Distance Users; Federal-State Joint Board on Universal Service, Sixth Report and Order in CC Docket Nos. 96-262 and 94-1, Report and Order in CC Docket No. 99-249, Eleventh Report and Order in CC Docket No. 96-45, 15 FCC Rcd 12962 (2000) (CALLS Order); Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers; Federal-State Joint Board on Universal Service; Access Charge Reform for Incumbent Local Exchange Carriers Subject to Rate-of-Return Regulation; Prescribing the Authorized Rate of Return From Interstate Services of Local Exchange Carriers, Second Report and Order and Further Notice of Proposed Rulemaking in CC Docket No. 00-256, Fifteenth Report and Order in CC Docket No. 96-45, and Report and Order in CC Docket Nos. 98-77 and 98-166, 16 FCC Rcd 19613 (2001) (MAG Plan Order), recon. pending. ⁶ Universal Service Monitoring Report, Table 3.2; USAC 2007 Annual Report at 45. ⁷ Support for the fund derives from assessments paid by providers of interstate telecommunications services and certain other providers of interstate telecommunications. See 47 C.F.R. § 54.706. Fund contributors are permitted to, and almost always do, pass those contribution assessments though to their end-user customers. See 47 C.F.R. § 54.712. Fund assessments paid by contributors are determined by applying the quarterly contribution factor to the contributors' contribution base revenues. In the second quarter of 2007, the contribution factor reached 11.7 percent, which is the highest level since its inception. See Proposed Second Quarter 2007 Universal Service Contribution Factor, CC Docket No. 96-45, Public Notice, 22 FCC Rcd 5074 (Off. of Man. Dir. 2007). The contribution factor has since

interim cap on high-cost support provided to competitive ETCs until fundamental comprehensive reforms are adopted to address issues related to the distribution of support and to ensure that the universal service fund will be sustainable for future years. ⁸ The interim cap that we adopt herein limits the annual amount of high-cost support that competitive ETCs can receive in the interim period for each state to the amount competitive ETCs were eligible to receive in that state during March 2008, on an annualized basis.

We believe that universal service funds should not be used to promote uneconomic entry or the use of universal service funds to continue to perpetuate multiple carriers receiving universal service support to offer the same services to customers within a given geographic area. The May 1, 2008 order was a step in the right direction and the provisions of Appendix B and C

⁸ The interim cap received widespread support from commenters. See ATA Comments: Alexicon Comments; AT&T Comments; CenturyTel Comments; Blackfoot Comments; Comcast Comments; Embarg Comments; Fred Williamson & Associates Comments: Frontier Comments: GVNW Comments; ITTA Comments; Iowa Telecommunications Ass'n Comments; Iowa Utilities Board Comments; Minnesota Independent Coalition Comments; Montana Telecommunications Ass'n Comments; NASUCA Comments; NECA Comments; NTCA Comments; Nebraska Rural Independent Cos and South Dakota Telecommunications Ass'n Comments: New Jersey Board of Public Utilities Comments; New York Department of Public Service Comments; OPASTCO Comments; Rural Iowa Independent Telephone Ass'n Comments; Rural Telecommunications Group Comments; Small Company Committee of the Louisiana Telecommunications Ass'n Comments; State Independent Telephone Ass'n of Kansas and Independent Telecommunications Group; TCA Comments; TDS Comments; Telephone Ass'n of Maine Comments; Tennessee Telecommunications Ass'n; Texas Statewide Telephone Cooperative, Inc. Comments; Totah Communications, Inc. et al. Comments; USTelecom Comments; Valley Telephone Cooperative Comments: Verizon and Verizon Wireless Comments: Western Telecommunications Alliance Comments; Windstream Comments; Wisconsin State Telecommunications Ass'n Comments. Other commenters, however, opposed the cap. See Alltel Comments; Centennial Comments; Chinook Wireless Comments; ComspanUSA Comments; COMPTEL Comments; CTIA Comments; DialToneServices Comments; Dobson Comments; GCI Comments; Kansas State Corporation Comm'n Comments; Rural Cellular Ass'n and Alliance of Rural CMRS Carriers Comments; South Carolina Office of Regulatory Staff Comments; SourthernLINC Comments; Sprint Nextel Comments; Surewest Comments; US Cellular and Rural Cellular Corp. Comments. In addition many individuals and public safety officials filed brief comments or ex parte letters, both in favor and in opposition to the interim cap. See, e.g., Letter from Senator J. Brian Bingman, Oklahoma State Senate, to Chairman Martin, Federal Communications Commission, WC Docket No. 05-337 (filed June 22, 2007) (urging the quick adoption of an interim cap); Letter from Lt. S.C. O'Dwyer, Commander of Communications, Office of the Sheriff of Effingham County, Georgia, to Kevin J. Martin, Chairman, Michael J. Copps, Commissioner, Jonathon S. Adelstein, Commissioner, Deborah Taylor Tate, Commissioner, and Robert M. McDowell, Commissioner, Federal Communications Commission, WC Docket No. 05-337 (filed July 11, 2007) (opposing the adoption of the interim cap). Appendix A contains a list of all commenters in this proceeding.

eliminating the Identical Support Rule are further steps to ensure the universal service fund is "specific, predictable, and sufficient."

IV. USF contribution reform using Assessable Numbers and Assessable Connections

The ORTC member companies can support the use Assessable Numbers for use assessing contribution obligations on service providers as defined beginning in paragraph 63 of Appendix B for residential end users. We applaud the Commission for its recognition that every service provider that uses the PSTN benefits from the PSTN and therefore has an obligation to support the PSTN.

The ORTC also supports the use of Assessable Connections for business access connections as described beginning at paragraph 81 of Appendix B.

Both of these methods appear now to be fair and reasonable and the initial contribution amounts are set at levels necessary to achieve the necessary funding and can be easily modified as fact warrant.

V. Conformation and enforcement of signaling rules

The ORTC member companies are excited about the Commission's recognition that all service providers using the PSTN must deliver traffic with signaling information necessary to identify the financially responsible service provider, however; we don't believe the Commission goes far enough. We agree with the Commission's finding that all service providers who provide services that use the PSTN would be required to transmit appropriate information without alteration. It is good that the service provider to whom traffic is delivered must know who the financially responsible service provider is but it is equally important to have sufficient information to properly jurisdicitionalize the traffic. Even under the transition plans set forth, the

Appendices A and C intrastate and interstate rates may not be identical until the end of the ten year transition and even then there remains a need for properly reporting jurisdictional revenues. Jurisdictional reporting of revenues is necessary not only for regulatory purposes but also for tax purposes. In 2004 the Alliance for Telecommunications Industry Solutions (ATIS) adopted new rules for populating geographic information tied to phone calls. The rules addressed how carriers are to populate the Jurisdiction Information Parameter (JIP), which further refines call routing and inter-carrier billing. ATIS' Network Interconnection Interoperability Forum (NIIF) outlined procedures for carriers to follow to populate a six-digit JIP in the SS7 Initial Address Message (IAM) for each call. The rules represented industry consensus on how to include the geographic information for call origination. The rules have been published in NIIF Reference Document ATIS-0300011 "Part III, Installation and Maintenance Responsibilities for SS7 Links and Trunks." Unfortunately, ATIS stopped short of requiring wireless carriers to populate the JIP presumably because the location of the switch may not indicate the location of the wireless customer at the beginning of the call. However, the Commission has been very clear that the location of the called and calling end user at the beginning of the call should be used to determine the jurisdiction of the traffic. Notwithstanding the possibility that the JIP may not precisely identify the location of the wireless customers at the beginning of the call it gives some consistent information that can be used to jurisdicitionalize calls. In the absence of JIP the ORTC member companies suggest using the CPN to jurisdicitionalize. Using either the JIP or CPN is better than leaving it to pure guess work or some outdated traffic study that only represents a very short time frame. A more acceptable method is to require the JIP to identify the MTA and the state where the wireless customer is located at the beginning of the call. This is very simple to do. The 3 digit MTA number can be used for the proper MTA and a 3 digit code can be assigned for State. (001 thru 050 for instance). This would be easily implemented and would eliminate the time and expense of traffic studies and reduce disputes over applying the proper termination rate. These requirements should be applicable to all service providers using the PSTN.

We applaud the position expressed in paragraph 322 of Appendix C wherein it provides that, "In the event that traffic does not contain the information required by our rules, or the provider delivering the traffic does not otherwise provide the required call information, for example by providing an industry-standard billing record, to the provider receiving it, we allow the terminating service provider to charge its highest terminating rate to the service provider delivering the traffic." Based on the transition of intercarrier compensation rates set forth in Appendix C we do not believe this is severe enough penalty. We see the stripping and or altering information in the SS7 call signaling stream as the service provider taking action to avoid proper payment of terminating charges. This type of activity should not be tolerated. Penalties should be sufficient to deter such activity and with the intercarrier compensation rates under the transition being relatively close and low only charging the offending service provider the terminating carrier's highest termination rate may not be penalty enough to deter the activity. We recommend tripling the highest termination rate for the first offense and if the same service provider strips or otherwise alters the information subsequently then the maximum fines allowed by law should be assessed the offending service provider.

CONCLUSION

Today, thanks to capital funds available from many sources and universal service support, the ORTC are able to provide to their customers services including, voice grade access

to the public switched network, local usage, dual tone multi-frequency signaling, single party service, access to emergency services, access to operator services, access to interexchange service, access to directory assistance and toll limitation for qualifying low income consumers and if funding is available will make broadband to every customer within its service area. We believe all of these services are being offered to the rural customers at quality equal to or greater than services received by customers in urban areas and at rates comparable to those paid by their urban counterparts for similar services. In addition, many of the rural companies have chosen to further invest in their communities by providing Internet, DSL, long distance, cable television, and facility leasing services that, in most cases, would not have been available otherwise in the areas served. The investments necessary for the rural companies to provide these services to their rural customers was made based, at least in part, on the reliance on the universal service funds received and those anticipated to be received.

Higher cost and potentially risky infrastructure investment will not take place at appropriate levels if carriers cannot predict with a level of certainty just which investments will be supported through USF funding. Rural carriers of last resort are especially vulnerable, facing risks unlike their urban counterparts and less regulated competitors. Rural carriers face unique construction/networking challenges with a lower customer density per mile and lower price tolerance, leaving them less margin for financial error.

The ORTC appreciates the opportunity to submit these comments and looks forward to reforms of the intercarrier compensation and universal service regimes consistent with the comments herein. The recommendations and comments expressed herein are designed to protect the sustainability of the federal Universal Service Fund and bring real benefits, including a sustainable competition, in rural areas throughout our great Nation.

Respectfully submitted this 326th day of November, 2008

OKLAHOMA RURAL TELEPHONE COALITION

Ron Comingdeer
Mary Kathryn Kunc
Ron Comingdeer & Associates
6011 N. Robinson Ave.
Oklahoma City, Oklahoma 73118

Attorneys for the Oklahoma Rural Telephone Coalition